

Message Text

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SUBJECT: INFORMATION ON AUSTRIAN CONSTRUCTION INDUSTRY

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1. AUSTRIA'S ANNUAL BUDGETS ROUTINELY CONTAIN CONTINGENT BUDGET FOR IMPLEMENTATION IF ECONOMY REQUIRES STIMULUS. UNTIL EARLY 1975, HOWEVER, AUSTRIAN ECONOMY EXPERIENCED UNPRECEDENTED EIGHT YEARS OF RAPID GROWTH, DURING WHICH CYCLICAL CHANGES IN LABOR REQUIREMENTS WERE FULLY ACCOMMODATED BY IMPORTATION AND EXPORTATION OF FOREIGN WORKERS, MAINLY YUGOSLAVS AND TURKS.

2. CONTINGENT BUDGET FOR 1975 WAS AS 6 BILLION (AS18 EQUALS \$1), OF WHICH AS 4 BILLION WAS FOR CONSTRUCTION. CONTINGENT BUDGET WAS FOR FIRST TIME FULLY SPENT IN 1975 TO COUNTERACT GENERAL RECESSIONAL TREND THAT REACHED AUSTRIA SOMEWHAT LATER THAN OTHER COUNTRIES IN EUROPE. GOA-SPONSORED CONSTRUCTION OUTLAYS WERE THUS AS 30.2 BILLION, 15 PERCENT ABOVE REGULAR BUDGET AUTHORIZATION

OF AS 26.2 BILLION.

3. FINANCE MINISTRY SOURCES ESTIMATE (EXACT FIGURES AS IN PARA 2 REQUIRED DIFFICULT COMPILATIONS) THAT 1976 BUDGET (VIENNA A-454, DECEMBER 5, 1975) WILL SUPPORT
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OUTLAYS FOR CONSTRUCTION SLIGHTLY HIGHER THAN 1975 IN

NOMINAL TERMS BUT RELATIVELY LESS IN REAL TERMS. IN ADDITION, GOA IS CONSIDERING INCLUSION OF CONSTRUCTION INVESTMENT IN EXISTING ACCELERATED DEPRECIATION SYSTEM FOR ONE YEAR PERIOD.

4. ALL FUNDS FOR PUBLIC CONSTRUCTION ARE CHanneled TO PRIVATE CONSTRUcTION INDUSTRY IN AUSTRIA SINCE THERE IS NO GOVERNMENT OWNERSHIP OF FIRMS IN CONSTRUCTION SECTOR.

5. THERE IS LITTLE PUBLISHED INFORMATION OR DATA TO SUPPORT STATISTICAL ANALYSES REQUESTED IN REFTel PART III AND NO AUSTRIAN REPORTS OF THAT NATURE. GRAPHS OF ACTIVITY AND EMPLOYEMENT IN CONSTRUCTION SECTOR IN AUSTRIA IN 1973 AND 1974, FORWARDED EARLIER THIS WEEK, SHOW CLEARLY, HOWEVER, THAT IN THOSE PRE-RECESSIONAL YEARS, CONSTRUCTION FOR PUBLIC SECTOR FOLLOWED EXACTLY SAME SEASONAL VARIATIONS AS THAT FOR PRIVATE SECTOR. DURING SAME YEARS, NUMBER OF FOREIGN WORKERS IN AUSTRIA FLUCTUATED BETWEEN 171,000 AND 251,000 WITH HIGHS IN SEPTEMBER-NOVEMBER PERIOD AND LOWS IN JANUARY-FEBRUARY PERIOD, WHICH CORRESPOND DIRECTLY WITH HIGHS AND LOWS IN CONSTRUCTION EMPLOYMENT AS INDICATED BY GRAPHS.

6. "DIE PRESSE" ARTICLE, FORWARDED WITH GRAPHS, INDICATES THAT GOA HAS SO FAR FAILED TO RELEASE ANY CONTINGENT FUNDS FOR ACCELERATED PUBLIC CONSTRUCTION FROM 1976 BUDGET. LABOR MAKRET OFFICIALS STATE, HOWEVER, THAT IMMEDIATE STIMULUS MAY NOT BE REQUIRED. THEY NOTE THAT CONSTRUCTION ACTIVITY CONTRIBUTED MUCH TO INFLATIONARY PRESSURES IN RECENT PAST, WITH ITS REAL GROWTH OF 15.6 PERCENT IN 1971, 16 PERCENT IN 1972, AND 17 PERCENT IN 1973. THIS FELL TO ABOUT 2 PERCENT IN 1974. THERE MAY HAVE BEEN SOME DECLINE IN 1975; HOWEVER, AS LATE AS OCTOBER THERE WERE 5,000 VACANCIES AND ONLY 2,300 JOB SEEKERS IN CONSTRUCTION SECTOR. EVEN WITH 2 PERCENT REAL GROWTH IN CONSTRUCTION ACTIVITY EXPECTED IN 1976, LABOR MARKET OFFICIALS BELIEVE THAT EMPLOYMENT IN SECTOR WILL DECLINE BY 8,000 PERSONS ON AVERAGE FROM EXTRAORDINARY HIGH LEVELS OF RECENT YEARS AND THAT THIS REDUCTION CAN BE EASILY ABSORBED BY INCREASED EMPLOYMENT IN OTHER

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FIELDS AND FURTHER REDUCTIONS IN FOREIGN LABOR.

7. ASSOCIATION OF CONSTRUCTION INDUSTRY IN FEDERAL CHAMBER OF COMMERCE REFUSES TO SUPPLY INFORMATION ON PRODUCTIVITY INCREASES IN CONSTRUCTION, WHICH IT FEARS MIGHT BE USED TO SUPPORT UNION DEMANDS IN AGE NEGOTIATIONS. TRADE UNION RESEARCHERS ESTIMATE INCREASE IN PRODUCTIVITY IN THIS INDUSTRY TO HAVE BEEN BETWEEN

4 AND 6 PERCENT ANNUALLY IN RECENT YEARS, BUCHANAN

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